

RECEIVED

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

MAR 18 1998

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

| | | |
|--------------------------------------|---|----------------------|
| In the Matter of |) | |
| |) | |
| MCI Telecommunications Corporation |) | CC Docket No. 97-250 |
| Petition for Prescription of Tariffs |) | DA 98-385 |
| Implementing Access Charge Reform |) | |

COMMENTS OF SPRINT CORPORATION

Sprint Corporation hereby submits its comments on the Emergency Petition for Prescription filed by MCI Telecommunications Corporation ("MCI").

MCI's petition is a plea to the Commission to take immediate remedial action on various facets of its access reform policy. Concerned about the uncertainties created by recent court decisions, MCI maintains that the foundation upon which the Commission built its access reform structure has all but crumbled. MCI asserts that, because competition in the local exchange has not developed, an essential element of the Commission's strategy for controlling access charges has also not developed. Consequently, MCI urges the Commission to modify two key aspects of access reform, namely the timing surrounding the move to cost-based access rates and the administration of the presubscribed interexchange carrier charge ("PICC").

MCI's request for immediate prescription of cost-based access charges is similar to the joint petition filed by Consumer Federation of America, International Communications Association and National Retail Federation on December 9, 1997,¹ on

¹ See, *In the Matter of Petition for Rulemaking of Consumer Federation of America*, RM No. 9210.

024

which Sprint has already commented. Sprint respectfully refers the Commission to its January 30, 1998 comments in that docket.²

The remainder of MCI's petition delineates the problems resulting from the creation and implementation of the PICC. Sprint shares the concern expressed by MCI that the introduction of the PICC has posed numerous and complex issues for both the IXC's and the LEC's. While clearly more economically sound than minute of use-based access charges, the flat-rate PICC charge assessed on IXC's has proven to be both difficult for the LEC's to define and to bill, and for the IXC's to verify. Many LEC's (not including the Sprint LEC's) have been unable to render bills for PICC's on a timely basis. Some LEC's have informed Sprint that they are months away from accurately billing certain types of PICC, and one LEC will not be able to furnish PICC data in the standard billing format until well into the fourth quarter. As a result, IXC's are at a loss to know what their PICC costs are, and can only recover those costs on a "best guess" basis.

The most effective way to deal with the problems outlined is to move away from artificial distinctions created by the PICC and instead lift the cap on the subscriber line charge ("SLC") so that all common line costs assigned to the interstate jurisdiction are recovered directly from the cost causer. Certainly there can be no debate that the end user is the cost causer for the loop. The loop provides the end user's connection to the network – regardless of whether that connection is via a primary or non-primary line. Moreover, recovering the interstate allocated loop costs, together with the non-traffic sensitive switching costs, through an increased SLC will have the same economic effect to the end-user as the pass-through of the PICC. It has become clear that the PICC will

² For the Commission's convenience, a copy of those comments is attached.

be passed through to the end user as a separate line item on the IXC bill and rightfully so, since to do otherwise, would cause the end user to lose the economic benefit derived by paying non-traffic sensitive costs on a flat-rated rather than a minute-of-use basis. Rather than sustain two flat-rate end user charges, Sprint contends that it would be more understandable to the customer, and more easily administered by the industry, if the ILEC billed the PICC directly to the customer through the SLC. This would allow the ILEC to perform the billing function, based on information it already maintains (which would ease administrative burdens on both the LECs and the IXCs) while, at the same time, easing customer confusion over multiple charges. Sprint believes this solution to be far superior to the temporary fixes suggested by MCI and urges the Commission to accept Sprint's recommendation.

Should the Commission decline to adopt Sprint's proposal to combine the PICC with the end-user SLC, then Sprint agrees with MCI that the Commission must take certain corrective actions to relieve the burdens placed on the industry as a whole by the creation of the PICC. First, Sprint agrees with MCI that that the Commission should eliminate the distinction between primary and non-primary lines. In its comments filed last September in the Commission's rulemaking aimed at defining primary lines,³ Sprint suggested that:

...the Commission [to] consider further the wisdom and benefits of differentiating between primary and non-primary residential lines for purposes of assessing access charges under the revised structure. ...Sprint believes that it would be far better for the Commission to dispense with its attempt to differentiate between primary and non-primary lines altogether. Sprint does not suggest that the Commission should load the additional revenue requirements that would have been recovered from non-primary residential lines (through higher PICCs or

³ *In the Matter of Defining Primary Lines*, CC Docket 97-181. The Commission has not yet resolved this docket.

SLCs) back onto usage-based access charges, or onto the multi-line business PICC. Rather, the Commission should set the residential SLC and PICC at levels that represent the weighted average of the primary and non-primary line charges that the Commission contemplated in its Access Reform docket.⁴

Sprint continues to believe that nothing is gained by creating these artificial distinctions and urges the Commission to grant MCI's petition in this regard.

Next, Sprint urges the Commission to heed MCI's call for swift action on Sprint's December 31, 1997 request for a declaratory ruling that an IXC that has terminated service to a presubscribed customer for nonpayment or for violation of any other term or condition of the IXC's tariff is not liable for PICCs with respect to such customer's lines if the IXC has made a timely notification to the LEC that it has discontinued service to the customer. The comment cycle regarding Sprint's petition has been completed with no one leveling any serious challenge to the notion that the Commission's order clearly contemplated the existence of a carrier-customer relationship before an IXC is billed the PICC relating to an end-user's line. Granting Sprint's petition will, therefore, not only carry out the Commission's intent, but will minimize billing disputes between the IXCs and the ILECs, as well as giving the ILECs the information they need to recover the PICC directly from the end user on a timely basis. Consequently, the Commission should act immediately to grant Sprint's petition.

To the extent the Commission maintains the primary/non-primary line distinction, MCI suggests that it should prescribe that a line is primary if it is the only line on the IXC end user billing account. MCI prefers this methodology over the use of established ILEC billing account numbers. Adopting MCI's suggestion on this point would require LECs

⁴ *Id.* Sprint Comments at p.2.

to input information from IXC account information into their own billing systems, which would increase the burden on LECs and, to some extent, the IXCs (since IXCs would have to supply such account information to the LECs). Thus MCI's proposal would increase the complexity and burden of PICC administration and accordingly should be rejected.

MCI contends that the IXCs are receiving PICC billing statements that are not accompanied by auditable line count data. This data is necessary to allow the IXC to determine, on a customer-specific basis, the number and types of PICCs for which it is being billed. MCI asks the Commission to prohibit the ILECs from billing PICCs until such time as they are able to provide this data. In the meantime, MCI suggests that the ILECs be held responsible for billing the PICCs directly to the end user customer.

The predicament described by MCI underscores the difficulties created by the Commission's insistence on distinguishing between customer classes for purposes of levying the PICC. Sprint's long distance operation has experienced the frustrations MCI describes and continues to battle with certain ILECs in an effort to receive timely and accurate line count information. For their part, the Sprint LECs have made every effort to provide to the IXCs the data they require, however, without a reliable definition available, IXCs' frustration is real and, for the most part, justified.

While requiring the ILECs to bill the PICC would resolve for the IXCs the dilemma outlined by MCI, in reality, it would merely shift the problem to the ILECs. A better solution to this problem is to create a new field in the Customer Account Record Exchange ("CARE"), the industry-standard electronic data interchange used by LECs and IXCs to exchange customer information, that would house the PICC information as to the

type of PICC being charged for each line. In this way, IXC's would no longer need to depend on tardy, erroneous or nonstandard billing information as is the case today. Including the type of PICC in the CARE data would also allow IXC's to know what types of PICCs are being charged to new customers, without having to wait weeks (or months) for the first PICC bill from the LEC's that includes the new customer.

MCI next asks the Commission to establish a standard date on which the ILEC's take their "snap-shot" to determine customer PICC assignments. Sprint is certain that the Commission recognized the enormity of such an undertaking when it initially devised the PICC, which is why it did not mandate a standardized date in its initial order. The data on which the PICC is based is extracted from the ILEC's end user billing system after the final billing cycle and before the month-end closing process. A number of factors may effect the timing of the extracted data, such as the number of days in a month or when the weekend falls in the billing cycle. Finally, Sprint has local operations in 19 states and does not have the computer processing capabilities to extract the line classification for every line in every state on the same day. The Commission should take no action to make the administration of the PICC any more burdensome than it already is for both ILEC's and IXC's. The Commission should, therefore, reject the idea of a standardized date of the PICC "snap-shot".

Finally, MCI proposes that ILEC's be required to issue access bills which break out, by access element, the amount of universal service pass-through contained therein. Currently, each LEC includes in its access rate filing the amount of USF support included in its rate development. Consequently, the information MCI is seeking already exists and is publicly available, at least in the aggregate. Requiring the additional detail sought by

MCI would impose additional billing costs on LECs and bill verification costs on IXC's. MCI has not presented a compelling business justification for imposing these additional burdens.

If MCI's underlying concern is that the Commission continues to allow the LECs to recover their interstate USF contribution from the IXC's through access charges, that is a concern that Sprint shares. This is an issue Sprint addressed in its comments in the Commission's USF Report to Congress proceeding. As Sprint noted there, the issue will be addressed in further USF proceedings and USF appeals. There is no need to address it here, except to say, as Sprint did in its March 4th letter to Chairman Kennard, that "if the Commission wishes to use long distance companies to fund programs that are deemed to be in the public interest, [they] need to be able to pass through charges directly to customer in an open and fair manner." Aside from their direct contributions, the IXC's bear an additional \$830.2 million, or 96.4 percent, of the USF contributions made by LECs which the Commission permitted the LECs to pass on through access charge increases. This means that directly or indirectly, the long distance industry is absorbing 90 percent of total USF costs.

While the LECs are able to pass through their USF contributions to their carrier customers through access charges, the IXC's' only avenue of cost recovery is through the end user. If the USF contribution is to be nondiscriminatory and explicit as provided for in the Act, then it is imperative that all carriers recover

their USF cost in a like manner - that is, from the end user customer in the form of a universal service surcharge.

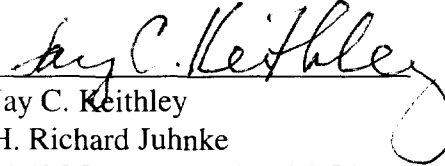
In conclusion, for the reasons stated herein, Sprint urges the Commission to deny MCI's request for immediate prescription of cost-based access charges and rather pursue the orderly transition outlined in Sprint's comments in the CFA/ICA/NRF Petition. Further, with respect to the PICCs, Sprint urges the Commission to adopt the most economically rational and administratively efficient means of recovery, i.e., direct recovery of these costs by the ILEC from its end users through subscriber line charges. Clearly, this direct approach would avoid all of the pitfalls that plague the existing PICC system and would moot all of MCI's PICC concerns. If the Commission decides to continue PICCs, it should: (1) adopt MCI's suggestion and simplify PICC application by eliminating the primary/non-primary line distinction; (2) grant MCI's request for action in favor of Sprint's Petition for Declaratory Ruling that an IXC that has terminated service to a customer for non-payment or violation of any other term or condition of the IXC's tariff is not liable for PICCs with respect to such customer's lines if the IXC has made a timely notification to the LEC that it has discontinued service to the customer; (3) reject MCI's proposed use of IXC end-user billing account instead of using established ILEC end user billing account numbers; (4) require the creation of a new industry standard PICC information field in CARE; and (5) reject MCI's request for a standard date for determining customer PICC assignments.

Finally, the Commission should reject MCI's proposal to require ILECs to break out in access bills, the universal service pass-through by access rate element. The amount of universal service contained in access rates is clearly provided and publicly available in

the rate development filed by each ILEC. Sprint shares MCI's underlying concern that IXC's and their customers bear not only their own direct universal service contributions, but also nearly all of the ILEC contributions as well. Sprint requests competitive neutrality in the recovery of universal service costs, that is, that all carriers recover contributions from their end user customers in the form of an explicit universal service surcharge.

Respectfully submitted,

SPRINT CORPORATION

By 

Jay C. Keithley
H. Richard Juhnke
1850 M Street N.W., 11th Floor
Washington, DC 20036-5807
(202) 857-1030

Sandra K. Williams
P. O. Box 11315
Kansas City, MO 64112
(913) 624-2086

Its Attorneys

March 18, 1998

CERTIFICATE OF SERVICE

I, Melinda L. Mills, hereby certify that I have on this 18th day of March 1998, served via U.S. First Class Mail, postage prepaid, or Hand Delivery, a copy of the foregoing "Comments of Sprint Corporation" in the Matter of MCI Telecommunications Corporation Petition for Prescription of Tariffs Implementing Access Charge Reform, CC Docket No. 97-250, filed this date with the Secretary, Federal Communications Commission, to the persons on the attached service list.


Melinda L. Mills

- * **Hand Delivery**
- ** **Diskette**
- # **Facsimile**

Richard Metzger*
Chief, Common Carrier Bureau
Federal Communications Commission
1919 M Street, NW, Room 500
Washington, DC 20554

Wilbur Thomas*
ITS
1919 M Street, NW, Room 246
Washington, DC 20554

Joel Ader*
Bellcore
2101 L Street, NW
Suite 600
Washington, DC 20036

James D. Schlichting*
Chief, Competitive Pricing Division
Federal Communications Commission
1919 M Street, NW
Room 518
Washington, DC 20554

Mary L. Brown
Don Sussman
Mary Sisak
MCI Telecommunications Corp.
1801 Pennsylvania Avenue, NW
Washington, DC 20006

M. Robert Sutherland
BellSouth
1155 Peachtree Street, NE
Suite 1700
Atlanta, GA 30309-3910

Teresa Marrero
Teleport Communications Group
2 Teleport Drive
Suite 300
Staten Island, NY 10311

Wendy Bluemling
SNET
227 Church Street
4th Floor
New Haven, CT 06510

Richard M. Tettelbaum
Citizens Communications
1400 16th Street, NW
Suite 500
Washington, DC 20036

Michael J. Shortley
Frontier
180 South Clinton Avenue
Rochester, NY 14646

Robert Mazer
Vinson & Elkins
1455 Pennsylvania Avenue, NW
Washington, DC 20004-1008

Richard A. Karre
US WEST
1020 19th Street, NW
Suite 700
Washington, DC 20036

Gail Polivy
GTE
1850 M Street, NW
Suite 1200
Washington, DC 20036

Michael Pabian
Ameritech
2000 West Ameritech Center Drive
Room 4H82
Hoffman Estates, IL 60196-1025

Thomas Taylor
Cincinnati Bell Telephone
201 East Fourth Street, 6th Floor
Cincinnati, OH 45202

Christopher J. Wilson
Frost & Jacobs
2500 PNC Center
201 East 5th Street
Cincinnati, OH 45202

Nancy Woolf
SBC Companies
140 New Montgomery Street
Room 1529
San Francisco, CA 94105

Robert M. Lynch
SBC Companies
One Bell Center, Room 3532
St. Louis, MO 63101

Edward Shakin
Bell Atlantic
1320 North Court House Road
8th Floor
Arlington, VA 22201

Allen Gibson
AT&T
1 Oak Way
Room 2WC205
Berkeley Heights, NJ 07922

Gene C. Schaerr
AT&T
1722 I Street, NW
Washington, DC 20006

Mark Rosenblum
AT&T
295 North Maple Ave., Room 324511
Basking Ridge, NJ 07920